

# **Sauble Township**

Lake County, Michigan

---

Audited Financial Statements

March 31, 2005

Jay Thiebaut, P.C.  
Certified Public Accountant  
Cadillac, Michigan

---

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                                |   |                       |
|---|--------------------------------|---|-----------------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Government Name<br><b>SAUBLE TOWNSHIP</b>               | County<br><b>LAKE</b> |
| Audit Date<br><b>3/31/05</b>  | Opinion Date<br><b>8/23/05</b> | Date Accountant Report Submitted to State:<br><b>10/10/05</b> |                       |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

|   |                         |                         |                     |
|---|-------------------------|-------------------------|---------------------|
| Certified Public Accountant (Firm Name)<br><b>JAY THIEBAUT PC CPA</b>                                       |                         |                         |                     |
| Street Address<br><b>222 HOWARD ST., PO BOX 807</b>   | City<br><b>CADILLAC</b> | State<br><b>MI</b>      | ZIP<br><b>49601</b> |
| Accountant Signature<br> |                         | Date<br><b>10-10-05</b> |                     |

**Sauble Township**  
Lake County, Michigan  
Contents

|  | Page |
|--|------|
| <b>Township Officials</b>  | 3    |
| <b>Independent Auditor's Report</b>  | 4    |
| <b>Basic Financial Statements</b>  |      |
| Government-wide Financial Statements   |      |
| Statement of Net Assets  | 7    |
| Statement of Activities  | 8    |
| Fund Financial Statements  |      |
| Balance Sheet  | 9    |
| Reconciliation of the Balance Sheet of Governmental Funds to<br>Net Assets of Governmental Activities  | 10   |
| Statement of Revenues, Expenditures and Changes in Fund Balance -<br>Governmental Funds  | 11   |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in<br>Fund Balances of Governmental Funds to the Statements of Activities | 12   |
| Statement of Net Assets – Fiduciary Funds  | 13   |
| Notes to Financial Statements  | 14   |
| <b>Required Supplementary Information</b>  |      |
| Budgetary Comparison Schedule - General Fund   | 22   |
| Budgetary Comparison Schedule – Fire Fund  | 23   |
| Budgetary Comparison Schedule – Liquor Fund  | 24   |
| Budgetary Comparison Schedule – Public Improvement Fund  | 25   |
| Budgetary Comparison Schedule – Lake Spraying Fund   | 26   |

## **Sauble Township**

Lake County, Michigan

Board Members

March 31, 2005

Supervisor

Clerk

Treasurer

Trustee

Trustee

Duane Misener

Pamela Krusinski

Martha Misener

Wayne Boersen

John Aiken

**Jay Thiebaut, P.C.**

Certified Public Accountant  
P.O. Box 807  
Cadillac, Michigan 49601  
Telephone 231-775-0174

**INDEPENDENT AUDITOR'S REPORT**

To the Township Board  
Sauble Township  
Lake County, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of Sauble Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sauble Township, as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial – and Management's Discussion and Analysis – For State and Local Governments*, and a Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, as of April 1, 2004.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board  
Sauble Township  
Page 2

The Township has not presented the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

A handwritten signature in black ink, appearing to read "Jay Thiebaut". The signature is stylized with a large initial "J" and a long horizontal stroke.

Jay Thiebaut P.C.  
Certified Public Accountant  
August 23, 2005

## **Basic Financial Statements**

**Sauble Township**  
Lake County, Michigan  
Statement of Net Assets  
March 31, 2005

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                                     |                            |
| Cash and cash equivalents                         | \$ 268,318                 |
| Receivables                                       | 15,047                     |
| Capital assets, net                               | <u>353,219</u>             |
| <b>Total assets</b>                               | <b><u>\$ 636,584</u></b>   |
| <b>Liabilities</b>                                |                            |
| Accounts payable                                  | \$ -                       |
| Due to other units of government                  | -                          |
| Noncurrent liabilities                            |                            |
| Due within one year                               | 23,495                     |
| Due in more than one year                         | <u>112,910</u>             |
| <b>Total liabilities</b>                          | <b><u>136,405</u></b>      |
| <b>Net assets</b>                                 |                            |
| Investment in capital assets, net of related debt | 216,814                    |
| Unrestricted                                      | <u>283,365</u>             |
| <b>Total net assets</b>                           | <b><u>500,179</u></b>      |
| <b>Total liabilities and net assets</b>           | <b><u>\$ 636,584</u></b>   |

See notes to financial statements.



**Sauble Township**  
Lake County, Michigan  
Statement of Activities  
Year Ended March 31, 2005

| <u>Functions/Programs</u>            | <u>Expenses</u>          | <u>Program<br/>Revenues<br/>Charges for<br/>Services</u> | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Assets</u> |
|--------------------------------------|--------------------------|--|--|
| <b>Governmental activities</b>       |                          |  |  |
| General government                   | \$ 62,269                | \$ 1,390   | \$ 60,879  |
| Public safety                        | 98,304                   | -  | 98,304   |
| Parks and recreation                 | 6,145                    | -  | 6,145  |
| <b>Total governmental activities</b> | <b><u>\$ 166,718</u></b> | <b><u>\$ 1,390</u></b>                                   | <b><u>165,328</u></b>  |
| <b>General revenues</b>              |                          |  |  |
| Taxes                                |                          |  | 179,481  |
| State sources                        |                          |  | 22,033   |
| Interest                             |                          |  | 811  |
| Other                                |                          |  | 5,953  |
| <b>Total general revenues</b>        |                          |  | <b><u>208,278</u></b>  |
| <b>Changes in net assets</b>         |                          |  | <b>42,950</b>  |
| <b>Net assets-beginning of year</b>  |                          |  | <b><u>457,229</u></b>  |
| <b>Net assets-end of year</b>        |                          |  | <b><u>\$ 500,179</u></b>   |

See notes to financial statements.

# Sauble Township

Lake County, Michigan

## Balance Sheet

Governmental Funds

March 31, 2005

|  | Special Revenue Funds   |                          |                        |                         |                        | Total<br>Governmental    |
|--|-------------------------|--------------------------|------------------------|-------------------------|------------------------|--------------------------|
|  | General                 | Fire                     | Liquor                 | Public<br>Improvement   | Lake<br>Spraying       |                          |
| <b>Assets</b>                                  |                         |                          |                        |                         |                        |                          |
| Cash   | \$ 63,864               | \$ 184,187               | \$ 1,417               | \$ -                    | \$ -                   | \$ 249,468               |
| Investments                                    | -                       | 18,850                   | -                      | -                       | -                      | 18,850                   |
| Due from other funds                           | 9,588                   | -                        | -                      | 16,457                  | 6,063                  | 32,108                   |
| <b>Total assets</b>                            | <b><u>\$ 73,452</u></b> | <b><u>\$ 203,037</u></b> | <b><u>\$ 1,417</u></b> | <b><u>\$ 16,457</u></b> | <b><u>\$ 6,063</u></b> | <b><u>\$ 300,426</u></b> |
| <b>Liabilities</b>                             |                         |                          |                        |                         |                        |                          |
| Due to other funds                             | \$ 16,457               | \$ -                     | \$ 604                 | \$ -                    | \$ -                   | \$ 17,061                |
| <b>Fund balances</b>                           |                         |                          |                        |                         |                        |                          |
| Unreserved and undesignated                    | 56,995                  | 203,037                  | 813                    | 16,457                  | 6,063                  | 283,365                  |
| <b>Total liabilities<br/>and fund balances</b> | <b><u>\$ 73,452</u></b> | <b><u>\$ 203,037</u></b> | <b><u>\$ 1,417</u></b> | <b><u>\$ 16,457</u></b> | <b><u>\$ 6,063</u></b> | <b><u>\$ 300,426</u></b> |

See notes to financial statements.

**Sauble Township**  
Lake County, Michigan  
Reconciliation of the Balance Sheet of Governmental Funds  
to Net Assets of Governmental Activities  
March 31, 2005

|   |                   |
|---|-------------------|
| <b>Total fund balances for governmental funds</b> | <b>\$ 283,365</b> |
|---|-------------------|

Total net assets for governmentntal activities in the statement  
of net assets is different because:

|   |         |
|---|---------|
| Capital assets used in governmental activities are not financial<br>resources and therefore are not reported in the funds | 353,219 |
|---|---------|

Noncurrent liabilities are not due and payable in the current  
period and therefore are not reported in the funds.

|                           |         |                |
|---------------------------|---------|----------------|
| Due within one year       | 23,495  |                |
| Due in more than one year | 112,910 | <u>136,405</u> |

|   |                          |
|---|--------------------------|
| <b>Net assets of governmental funds</b> | <b><u>\$ 500,179</u></b> |
|---|--------------------------|

See notes to financial statements.

**Sauble Township**  
Lake County, Michigan  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended March 31, 2005

|   | Special Revenue Funds |                   |               |                       |                  | Total<br>Governmental |
|---|-----------------------|-------------------|---------------|-----------------------|------------------|-----------------------|
|   | General               | Fire              | Liquor        | Public<br>Improvement | Lake<br>Spraying |                       |
| <b>Revenues</b>   |                       |                   |               |                       |                  |                       |
| Taxes   | \$ 23,139             | \$ 140,790        | \$ -          | \$ 8,652              | 6,900            | \$ 179,481            |
| State sources   | 21,437                | -                 | 596           | -                     | -                | 22,033                |
| Charges for services                                    | 1,390                 | -                 | -             | -                     | -                | 1,390                 |
| Interest  | 556                   | 255               | -             | -                     | -                | 811                   |
| Other   | 4,416                 | 1,537             | -             | -                     | -                | 5,953                 |
| <b>Total revenues</b>                                   | <b>50,938</b>         | <b>142,582</b>    | <b>596</b>    | <b>8,652</b>          | <b>6,900</b>     | <b>209,668</b>        |
| <b>Expenditures</b>                                     |                       |                   |               |                       |                  |                       |
| General government                                      |                       |                   |               |                       |                  |                       |
| Council   | 10,811                | -                 | -             | -                     | -                | 10,811                |
| President   | 4,683                 | -                 | -             | -                     | -                | 4,683                 |
| Assessor  | 15,073                | -                 | -             | -                     | -                | 15,073                |
| Clerk   | 6,070                 | -                 | -             | -                     | -                | 6,070                 |
| Treasurer   | 12,774                | -                 | -             | -                     | -                | 12,774                |
| Elections   | 1,869                 | -                 | -             | -                     | -                | 1,869                 |
| Buildings and grounds                                   | 6,405                 | -                 | -             | -                     | -                | 6,405                 |
| Public safety   | -                     | 57,081            | 700           | -                     | -                | 57,781                |
| Parks and recreation                                    | -                     | -                 | -             | -                     | 6,145            | 6,145                 |
| Zoning  | 782                   | -                 | -             | -                     | -                | 782                   |
| <b>Total expenditures</b>                               | <b>58,467</b>         | <b>57,081</b>     | <b>700</b>    | <b>-</b>              | <b>6,145</b>     | <b>122,393</b>        |
| <b>Excess of revenues over<br/>(under) expenditures</b> | <b>(7,529)</b>        | <b>85,501</b>     | <b>(104)</b>  | <b>8,652</b>          | <b>755</b>       | <b>87,275</b>         |
| <b>Other financing sources (uses)</b>                   |                       |                   |               |                       |                  |                       |
| Operating transfers out                                 | -                     | 28,800            | -             | -                     | -                | 28,800                |
| <b>Net change in fund balance</b>                       | <b>(7,529)</b>        | <b>56,701</b>     | <b>(104)</b>  | <b>8,652</b>          | <b>755</b>       | <b>58,475</b>         |
| Fund balance-beginning of year                          | 64,524                | 146,336           | 917           | 7,805                 | 5,308            | 224,890               |
| <b>Fund balance-end of year</b>                         | <b>\$ 56,995</b>      | <b>\$ 203,037</b> | <b>\$ 813</b> | <b>\$ 16,457</b>      | <b>\$ 6,063</b>  | <b>\$ 283,365</b>     |

See notes to financial statements.

**Sauble Township**  
Lake County, Michigan  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended March 31, 2005

**Net changes in fund balances-total governmental funds** **\$ 58,475**

Total change in net assets reported for government activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                      |          |
|----------------------|----------|
| Capital outlay       | 7,882    |
| Depreciation expense | (45,876) |

|  |               |
|--|---------------|
| Repayment of principal is an expenditure in the governmental funds but the repayment reduces noncurrent liabilities in the statement of net assets | <u>22,469</u> |
|--|---------------|

**Changes in net assets of governmental activities** **\$ 42,950**

See notes to financial statements.

# **Sauble Township**

Lake County, Michigan

Fiduciary Funds

Statement of Net Assets

March 31, 2005

|                           | <u>Agency<br/>Funds</u> |
|---------------------------|-------------------------|
| <b>Assets</b>             |                         |
| Cash and cash equivalents | <u>\$ 15,047</u>        |
| <b>Liabilities</b>        |                         |
| Due to other funds        | <u>\$ 15,047</u>        |

See notes to financial statements.

**Sauble Township**  
Lake County, Michigan  
Notes to Financial Statements  
March 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Sauble Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant policies used by the Township:

**Reporting Entity**

Sauble Township ("the Township") is a municipal entity governed by an elected Board. The Township, for financial purposes, includes all of the funds relevant to the operations of Sauble Township. The financial statements herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from Sauble Township.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds (when applicable) even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Sauble Township**  
Lake County, Michigan  
Notes to Financial Statements  
March 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as well expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for revenue and expenditures for fire protection services provided by the township.

The Liquor Fund accounts for revenue and expenditures for liquor law enforcement.

The Public Improvements Fund accounts for revenue and expenditures for various township improvements.

The Lake Spraying Fund accounts for special assessments collected and expended for weed control in a local lake.

The Township also has a fiduciary fund. The Current Tax Collection Fund accounts for property taxes and other deposits collected on behalf of other units and individuals. Fiduciary funds are custodial in nature and are not included in the government-wide financial statements.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Government Accounting Standards Board.



**Sauble Township**  
Lake County, Michigan  
Notes to Financial Statements  
March 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues for the functions concerned.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted assets first, then unrestricted resources as they are needed.

**Assets, liabilities, and net assets or equity**

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with a maturity of three months or less when acquired. Deposits are recorded at cost.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and any business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on December 1 on property values assessed as of December 31 of the prior year. Taxes are due on or before March 1, after which the taxes are considered delinquent and penalties and interest may be charged. All delinquent real property taxes are purchased by the county tax revolving fund so the Township collects 100% of the real property tax levy. Delinquent personal property tax is not material is recorded as collected.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated cost, if purchased or constructed. The reported value does not include normal maintenance and repairs that do not increase the capacity of or extend

**Sauble Township**  
Lake County, Michigan  
Notes to Financial Statements  
March 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the useful life of the asset. In the case of donated assets, the government values the assets at estimated fair value of the assets as of the date of the donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

|           |               |
|-----------|---------------|
| Buildings | 40 years      |
| Equipment | 5 to 10 years |

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance (when applicable) for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balance represent management plans that are subject to change.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary information**

The Township follows these budgeting procedures that are in accordance with Michigan Statutes. Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

1. Budgets are adopted for the General Fund and all Special Revenue Funds.
2. Budget appropriations are adopted before the beginning of each fiscal year.
3. Both budgeted and actual financial results cannot incur a deficit (including an available un-reserved surplus).
4. Amendments to the budget are made prior to over expenditures and before the fiscal year end.
5. Budgetary control is exercised at the activity level. The clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity require the approval of the Township board.

The Township does not use encumbrances. Budget appropriations are considered to be spent when goods are received or services rendered.

**Sauble Township**  
Lake County, Michigan  
Notes to Financial Statements  
March 31, 2005

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office located in Michigan. Local units are allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. Also, United States government or federal agency obligations; reverse repurchase agreements, bankers acceptance of United States Banks, commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade, and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has authorized cash and cash equivalents to be in federally insured depository institutions. These cash accounts can be checking, savings, money markets, or certificates of deposit with original maturities of three months or less. Additionally, the Township Board specifically authorizes each depository institution.

At March 31, 2005, all cash and cash equivalents were on deposit with federally insured depository institutions. The bank balance was \$283,944 as of March 31, 2005, \$118,849 of which was covered by federal depository insurance and \$165,095 was uninsured and unsecured.

**NOTE 4 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

Michigan Statutes provides that a Township shall not incur expenditures in excess of the amount appropriated.

The unfavorable variances as shown on the Budgetary Comparison Schedules for the General Fund, Fire Fund, Liquor Fund, Public Improvement Fund and Lake Spraying Fund are not considered material violations as described in Michigan Statute due to the conditions and events that gave rise to these variances and the adequacy of the budgetary system.

**NOTE 5 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2005, the Township carried commercial insurance to cover all risks of losses. The Township had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

**Sauble Township**  
Lake County, Michigan  
Notes to Financial Statements  
March 31, 2005

**NOTE 6 – CAPITAL ASSETS**

Capital assets activity of the primary government for the current year is as follows:

|                                | Balance<br>04-01-04 | Additions          | Reductions  | Balance<br>03-31-05 |
|--------------------------------|---------------------|--------------------|-------------|---------------------|
| Land                           | \$ 34,659           | \$ -               | \$ -        | \$ 34,659           |
| Buildings and improvements     | 92,365              | -                  | -           | 92,365              |
| Furniture and office equipment | 11,959              | -                  | -           | 11,959              |
| Fire equipment & trucks        | 542,183             | 7,882              | (4,150)     | 545,915             |
| Total depreciable assets       | 681,166             | 7,882              | (4,150)     | 684,898             |
| Less accumulated depreciation  | (287,010)           | (45,876)           | 4,150       | (328,736)           |
| Capital assets, net            | <u>\$ 394,156</u>   | <u>\$ (37,994)</u> | <u>\$ -</u> | <u>\$ 356,162</u>   |

Depreciation Expense - Governmental Activities:

|                            |                  |
|----------------------------|------------------|
| General Government         | \$ 2,807         |
| Public Safety              | 43,069           |
| Total depreciation expense | <u>\$ 45,876</u> |

**NOTE 6 – LONG TERM DEBT**

Long-term debt as of March 31, 2005 is comprised of the following notes payable on fire protection equipment purchases:

|                                  | Original<br>Note | Maturity<br>Date | Interest<br>Rate | Balance<br>03/31/04 | Reductions       | Balance<br>03/31/05 | Due within<br>One year |
|----------------------------------|------------------|------------------|------------------|---------------------|------------------|---------------------|------------------------|
| Governmental Activities          |                  |                  |                  |                     |                  |                     |                        |
| Lake Osceola State Bank          | \$ 132,173       | 5/10/2011        | 4.22%            | \$ 98,402           | \$ 12,881        | \$ 85,521           | \$ 13,449              |
| Lake Osceola State Bank          | 72,713           | 12/11/2012       | 4.22%            | <u>60,472</u>       | <u>9,588</u>     | <u>50,884</u>       | <u>10,046</u>          |
| Total Governmental<br>Activities |                  |                  |                  | <u>\$ 158,874</u>   | <u>\$ 22,469</u> | <u>\$ 136,405</u>   | <u>\$ 23,495</u>       |

**Sauble Township**  
Lake County, Michigan  
Notes to Financial Statements  
March 31, 2005

**NOTE 6 – LONG TERM DEBT (Continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

| <u>Year Ending March 31</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-----------------------------|-------------------|------------------|-------------------|
| 2006                        | \$ 23,495         | \$ 5,305         | \$ 28,800         |
| 2007                        | 24,506            | 4,294            | 28,800            |
| 2008                        | 25,560            | 3,240            | 28,800            |
| 2009                        | 26,660            | 2,140            | 28,800            |
| 2010                        | 23,952            | 1,012            | 24,964            |
| 2011                        | 12,232            | 216              | 12,448            |
| Totals                      | <u>\$ 136,405</u> | <u>\$ 16,207</u> | <u>\$ 152,612</u> |

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

Balances at March 31, 2005, were:

|                         | <u>Due From<br/>Other<br/>Funds</u> | <u>Due to<br/>Other<br/>Funds</u> |
|-------------------------|-------------------------------------|-----------------------------------|
| General fund            |                                     |                                   |
| Liquor Fund             | \$ 604                              | \$ -                              |
| Tax collection fund     | 8,984                               | -                                 |
| Public improvement fund | -                                   | 16,457                            |
| Liquir Fund             |                                     |                                   |
| General fund            | -                                   | 604                               |
| Public improvement fund |                                     |                                   |
| General fund            | 16,457                              | -                                 |
| Lake spraying fund      |                                     |                                   |
| Tax collection fund     | 6,063                               |                                   |
| Tax collection fund     |                                     |                                   |
| General fund            |                                     | 8,984                             |
| Lake spraying fund      | -                                   | 6,063                             |
| Totals                  | <u>\$ 32,108</u>                    | <u>\$ 32,108</u>                  |

## **Required Supplementary Information**

**Sauble Township**  
Lake County, Michigan  
Budgetary Comparison Schedule  
General Fund  
Year Ended March 31, 2005

|   | Budgeted Amounts          |                           | Actual                  | Variance<br>with Final<br>Positive<br>(Negative) |
|---|---------------------------|---------------------------|-------------------------|--|
|   | Original                  | Final                     |                         |  |
| <b>Revenues</b>                                     |                           |                           |                         |  |
| Taxes   | \$ 23,742                 | \$ 23,742                 | \$ 23,139               | \$ (603)   |
| State sources                                       | 18,000                    | 18,000                    | 21,437                  | 3,437  |
| Charges for services                                | -                         | -                         | 1,390                   | 1,390  |
| Interest  | -                         | -                         | 556                     | 556  |
| Other   | -                         | -                         | 4,416                   | 4,416  |
| <b>Total revenues</b>                               | <b><u>41,742</u></b>      | <b><u>41,742</u></b>      | <b><u>50,938</u></b>    | <b><u>9,196</u></b>                              |
| <b>Expenditures</b>                                 |                           |                           |                         |  |
| General government                                  | 51,713                    | 51,713                    | 57,685                  | (5,972)  |
| Zoning  | 1,500                     | 1,500                     | 782                     | 718  |
| <b>Total expenditures</b>                           | <b><u>53,213</u></b>      | <b><u>53,213</u></b>      | <b><u>58,467</u></b>    | <b><u>(5,254)</u></b>                            |
| <b>Excess of revenues over (under) expenditures</b> | <b><u>\$ (11,471)</u></b> | <b><u>\$ (11,471)</u></b> | <b><u>(7,529)</u></b>   | <b><u>\$ 3,942</u></b>                           |
| Fund balance-beginning of year                      |                           |                           | <u>64,524</u>           |  |
| <b>Fund balance-end of year</b>                     |                           |                           | <b><u>\$ 56,995</u></b> |  |

**Sauble Township**  
Lake County, Michigan  
Budgetary Comparison Schedule  
Fire Fund  
Year Ended March 31, 2005

|  | Budgeted Amounts |                  | Actual            | Variance<br>with Final<br>Positive<br>(Negative) |
|--|------------------|------------------|-------------------|--|
|  | Original         | Final            |                   |  |
| <b>Revenues</b>  |                  |                  |                   |  |
| State sources  | \$ 134,000       | \$ 134,000       | \$ 140,790        | \$ 6,790   |
| Interest   | -                | -                | 255               | 255  |
| Other  | -                | -                | 1,537             | 1,537  |
| <b>Total revenues</b>  | <b>134,000</b>   | <b>134,000</b>   | <b>142,582</b>    | <b>7,045</b>                                     |
| <b>Expenditures</b>  |                  |                  |                   |  |
| Public safety  | 94,800           | 94,800           | 57,081            | 37,719   |
| <b>Excess of revenues over (under) expenditures</b>  | <b>39,200</b>    | <b>39,200</b>    | <b>85,501</b>     | <b>44,764</b>                                    |
| <b>Other financing sources (uses)</b>  |                  |                  |                   |  |
| Operating transfers out  | 28,800           | 28,800           | 28,800            | -  |
| <b>Total other financing sources (uses)</b>  | <b>28,800</b>    | <b>28,800</b>    | <b>28,800</b>     | <b>-</b>   |
| <b>Excess of revenues and other financing<br/>sources over (under)<br/>expenditures and other uses</b> | <b>\$ 10,400</b> | <b>\$ 10,400</b> | <b>56,701</b>     | <b>\$ 44,764</b>                                 |
| Fund balance-beginning of year   |                  |                  | 146,336           |  |
| <b>Fund balance-end of year</b>  |                  |                  | <b>\$ 203,037</b> |  |



**Sauble Township**  
Lake County, Michigan  
Budgetary Comparison Schedule  
Liquor Fund  
Year Ended March 31, 2005

|   | <u>Budgeted Amounts</u> |               | <u>Actual</u>        | <u>Variance<br/>with Final<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|---------------|----------------------|--|
|   | <u>Original</u>         | <u>Final</u>  |                      |  |
| <b>Revenues</b>                                     |                         |               |                      |  |
| State sources                                       | <u>\$ 594</u>           | <u>\$ 594</u> | <u>\$ 596</u>        | <u>\$ 2</u>  |
| <b>Expenditures</b>                                 |                         |               |                      |  |
| Public safety                                       | <u>600</u>              | <u>600</u>    | <u>700</u>           | <u>(100)</u>   |
| <b>Excess of revenues over (under) expenditures</b> | <u>\$ (6)</u>           | <u>\$ (6)</u> | <u>(104)</u>         | <u>\$ (98)</u>   |
| Fund balance-beginning of year                      |                         |               | <u>917</u>           |  |
| <b>Fund balance-end of year</b>                     |                         |               | <u><b>\$ 813</b></u> |  |

**Sauble Township**  
Lake County, Michigan  
Budgetary Comparison Schedule  
Public Improvement Fund  
Year Ended March 31, 2005

|                                 | <u>Budgeted Amounts</u> |                 | <u>Actual</u>           | <u>Variance<br/>with Final<br/>Positive<br/>(Negative)</u> |
|---------------------------------|-------------------------|-----------------|-------------------------|--|
|                                 | <u>Original</u>         | <u>Final</u>    |                         |  |
| <b>Revenues</b>                 |                         |                 |                         |  |
| Taxes                           | <u>\$ 8,700</u>         | <u>\$ 8,700</u> | \$ 8,652                | <u>\$ (48)</u>   |
| Fund balance-beginning of year  |                         |                 | <u>7,805</u>            |  |
| <b>Fund balance-end of year</b> |                         |                 | <u><b>\$ 16,457</b></u> |  |

**Sauble Township**  
Lake County, Michigan  
Budgetary Comparison Schedule  
Lake Spraying Fund  
Year Ended March 31, 2005

|   | <u>Budgeted Amounts</u> |              | <u>Actual</u>          | <u>Variance<br/>with Final<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|--------------|------------------------|--|
|   | <u>Original</u>         | <u>Final</u> |                        |  |
| <b>Revenues</b>                                     |                         |              |                        |  |
| Taxes   | \$ 6,900                | \$ 6,900     | \$ 6,900               | \$ -   |
| <b>Expenditures</b>                                 |                         |              |                        |  |
| Parks and recreation                                | <u>6,900</u>            | <u>6,900</u> | <u>6,145</u>           | <u>755</u>   |
| <b>Excess of revenues over (under) expenditures</b> | <u>\$ -</u>             | <u>\$ -</u>  | <b>755</b>             | <u><b>\$ 755</b></u>                                       |
| Fund balance-beginning of year                      |                         |              | <u>5,308</u>           |  |
| <b>Fund balance-end of year</b>                     |                         |              | <u><b>\$ 6,063</b></u> |  |

**JAY THIEBAUT, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

222 Howard Street

P.O. Box 807

Telephone 231-775-0174

Cadillac, Michigan 49601

Fax 231-775-6451


To the Members of the Township Board  
Sauble Township  
Lake County, Michigan

In planning and performing my audit of the statements of Sauble Township for the year ended March 31, 2005, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control. However, I noted certain matters involving the internal control and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect Sauble Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, no material weaknesses were noted.

This report is intended solely for the information and use of the Township Board, management and others within the administration, and Department of Treasury, Local Audit Division of the State of Michigan and should not be used by anyone other than these specified parties.

  
Jay Thiebaut, P.C.  
Certified Public Accountant

August 23, 2005